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TAGS: BGEN, BFOL, ETRN, EFIN, KS

SUBJ: PRELIMINARY COMMITMENT KOREAN SHIPBUILDING AND
ENGINEERING CORPORATION

REF: SEOUL 2646

1. WE HAVE SENT THE FOLLOWING CABLE TO THE KOREAN EMBASSY IN
WASHINGTON, D. C. IN ACCORDANCE WITH THE EXIMBANK AGREEMENT WITH
THE ECONOMIC PLANNING BOARD. QUOTE

" TLX 86-645

KOREAN EMBASSY
WASHINGTON, D. C.

2. EXIMBANK HAS AUTHORIZED A PRELIMINARY COMMITMENT TO
MORGAN GUARANTY TRUST COMPANY COVERING \$72 MILLION OF U. S.
COSTS FOR CONSTRUCTION OF SHIPYARD AT OKPO TO BE BUILT BY
KOREA SHIPBUILDING AND ENGINEERING CORPORATION. TERMS FOR
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CASH PAYMENT OF \$7,200,000 OR 10 PERCENT, A \$32,400,000 OR 45 PERCENT EXIMBANK DIRECT CREDIT, A \$32,400,000 OR 45 PERCENT IN COMMERCIAL CREDITS GUARANTEED BY EXIMBANK, PLUS A LOCAL COST GUARANTEE OF \$10,800,000 OR 15 PERCENT TO BE REPAYED ON TERMS NO LONGER THAN THOSE FOR THE U. S. COST FINANCING.

3. REPAYMENT WOULD BE IN 20 SEMIANNUAL INSTALLMENTS BEGINNING SIX MONTHS AFTER COMPLETION BUT NOT LATER THAN JANUARY 10, 1976, WITH THE GUARANTEED PORTION BEING REPAYED IN THE FIRST TEN. THE EXIMBANK LOANS AND GTHE UNITED STATES TO IMPLEMENT A NEW SCHEME FOR THE DISPOSAL OF VARIOUS COMMODITIES FROM HER STOCKPILE.

HOWEVER, THE GOVERNMENT OF INDONESIA VIEWS THE PROPOSAL TO COMMENCE DISPOSAL OF SUBSTANTIAL QUANTITIES OF COMMODITIES WITH DEEP CONCERN. MANY DEVELOPING COUNTRIES ARE STILL DEPENDING ON THE REVENUES OF THE EXPORT OF CERTAIN COMMODITIES IN THEIR EFFORTS TO IMPLEMENT PLANS FOR DEVELOPMENT AND A DECREASE IN FOREIGN EARNINGS WILL HAVE DETRIMENTAL EFFECTS. THE DISPOSAL OF TIN AND RUBBER WILL HAVE SERIOUS CONSEQUENCES ON THE INDONESIAN ECONOMY.

TIN

THE DISPOSAL OF TIN FROM THE STOCKPILE AT THIS JUNCTURE WOULD SERIOUSLY HAMPER THE GROWTH OF THE INDONESIAN MINING INDUSTRY, WHICH HAS BEEN RESOLVED TO EXPAND AS TIN MINING CONSTITUTES ONE OF THE PILLARS OF THE INDONESIAN FIVE YEAR PLAN. THIS EXPANSION PROGRAM IS ALSO RECEIVING ASSISTANCE FROM COUNTRY- MEMBERS OF THE INTER- GOVERNMENTAL GROUP ON INDONESIA - I. G. G. I.

THE IMPOSITION OF EXPORT CONTROLS TO MAINTAIN A CERTAIN BALANCE IN SUPPLY AND DEMAND ALREADY NECESSITATES INDONESIA MAKING SACRIFICES AND WITH FURTHER DISPOSALS OF TIN FROM THE UNITED STATES STOCKPILE INDONESIA IS FACED WITH THE PROSPECT OF EVEN GREATER SACRIFICES.

IN THIS CONTEXT THE GOVERNMENT OF INDONESIA SINCERELY REQUESTS THE GOVERNMENT OF THE UNITED STATES TO REFRAIN FROM COMMENCING SALES OF TIN FROM ITS STOCKPILE WHILE LIMITED OFFICIAL USE

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EXPORT CONTROLS ARE IN EFFECT. NONE THE LESS, IF THE DECISION TO DISPOSE OF TIN FROM THE UNITED STATES STOCKPILE IS IRREVOCABLE, THE GOVERNMENT OF INDONESIA WOULD VERY MUCH APPRECIATE IF THESE DISPOSALS ARE CONDUCTED ORDERLY AND IN SUCH MODERATE QUANTITIES THAT UNDUE MARKET DISRUPTIONS COULD BE PREVENTED. WHENEVER THIS SITUATION OCCURS AND NOTABLY CAUSED BY THE DISPOSALS OF THE UNITED

STATES STOCKPILE, THEN THESE DISPOSALS WILL IMMEDIATELY BE SUSPENDED. IN VIEW OF THE ONGOING NEGOTIATIONS BETWEEN THE GOVERNMENT OF THE UNITED STATES AND THE INTERNATIONAL TIN COUNCIL, ITC, INDONESIA AS A MEMBER OF THE ITC, WOULD FULLY SUPPORT THE CONCEPT OF ORDERLY DISPOSALS AS CONCEIVED BY THE ITC AND TO BE PROPOSED TO THE GOVERNMENT OF THE UNITED STATES.

THE GOVERNMENT OF INDONESIA CONSIDERS A MONTHLY DISPOSAL OF TIN TO A MAXIMUM OF 500 LONG TONS AS THE MOST

APPROPRIATE NEW DISPOSAL RATE WITHOUT DISRUPTING THE PRESENT WORLD TIN MARKET.

RUBBER

THE DISPOSAL OF RUBBER IN LARGER QUANTITIES THAN AT PRESENT UNDOUBTEDLY WILL RESULT IN A DECREASE OF PRICES IN THE WORLD RUBBER MARKET; IT SHOULD BE NOTED THAT A PRICE FALL OF ONE PERCENT IN THE NEW YORK MARKET WILL CAUSE A PRICE FALL OF APPROXIMATELY TWO PERCENT TO THE SMALL HOLDERS IN INDONESIA AND WILL AFFECT SERIOUSLY THE INCOME OF ABOUT 50 PERCENT OF THE POPULATION IN THE PRODUCING AREAS IN INDONESIA, ALREADY LIVING AT SUBSISTENCE LEVEL.

FURTHERMORE, THE FOREIGN EXCHANGE EARNINGS FROM THE EXPORT OF RUBBER HAVE BEEN ALREADY CALCULATED IN THE INDONESIAN BALANCE OF PAYMENTS AS WELL AS IN THE PRESENT STATE BUDGET STARTING APRIL 1, 1973. UNEXPECTED DISRUPTIONS NECESSITATE THE REVISION OF THESE FIGURES DOWNWARDS WITH FAR REACHING CONSEQUENCES IN THE EFFORTS TO DEVELOP THE INDONESIAN ECONOMY.

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NEVERTHELESS, HAVING IN VIEW THE POSITION OF THE GOVERNMENT OF THE UNITED STATES TO ESTABLISH NEW STOCKPILE OBJECTIVES FOR ALL STRATEGIC AND CRITICAL MATERIALS, THE GOVERNMENT OF INDONESIA AGREES WITH THE PROGRAM TO DISPOSE OF RUBBER AT A RATE OF 10,000 LONG TONS MONTHLY, COMMENCING MAY 1973, ON THE CONDITION THAT THE PRICES WILL NOT BE LESS THAN USDOLS 0.24 PER LB F. O. B. INDONESIA. WHENEVER PRICES FALL BELOW THIS RATE THE GOVERNMENT OF THE UNITED STATES WILL DISPOSE OF RUBBER ACCORDING TO THE PRESENT PROGRAM OF 4,200 LONG TONS MONTHLY.

THE GOVERNMENT OF INDONESIA SINCERELY HOPES THAT THE ABOVE- MENTIONED VIEWS WILL BE TAKEN INTO CONSIDERATION BEFORE THE GENERAL SERVICES ADMINISTRATION ACCOUNCES

ITS DISPOSAL PROGRAM.

APRIL 30, 1973. UNQUOTE. ROGERS

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